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TO : [REDACTED] Chief, D/E

FROM : [REDACTED] (Member of Intelligence Working Group Sub-group
on Far East Trade Controls.)

SUBJECT: Background Information Concerning CHINCOM.

The Five Power Conference held in Washington in late July and early August 1952 was attended by representatives of the UK, France, Japan, Canada and the US. It resulted in a recommendation to member nations of the Coordinating Committee (COCOM) which established regulations for the flow of Western goods to the Communist Bloc, that Japan be invited to join that organization. At the same time it was recommended that a China Committee of COCOM be established to consist of those member countries having a substantial interest in trade with Communist China and other Communist controlled areas in the Far East. The countries represented at the Five Power Conference (UK, France, Japan, Canada and the US) were designated permanent members of the China Committee (CHINCOM) established in September 1952. All governments of the Consultative Group, however, are entitled to participate in deliberations and decisions of the China Committee with respect to any issues in which they have a genuine interest.

The US proposed an action program for CHINCOM which would require CHINCOM to make studies, prepare recommendations, and propose appropriate action by participating countries in the following fields:

1. The adoption of a commodity control list directed against communist China, North Korea and any other area in the Far East which is engaged in, or may become engaged in aggression against the free world (comprising an embargo list, a quantitative control list, and other appropriate control lists).
2. Adoption of administrative procedures necessary to effective control of the above lists, or aspects thereof, such as parts and components and technical data.
3. Adoption of other controls, such as in the fields of trans-shipment, shipping, and financial controls, either for direct recommendation to governments or for coordination with comparable activity of COCOM.

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4. Formation of a list, for appropriate action, of items controlled to China, and not to the rest of the Soviet bloc, which are moving from the latter to the former in sufficient quantity to frustrate agreed controls to China.
5. Review and make recommendations concerning exports permitted by non-participating countries which tend seriously to frustrate agreed controls against China.

An EDAC working group known as the "Working Group on Far Eastern Economic Defense" has been established for the purpose of making a continuous study of economic defense measures involving objectives beyond those sought respecting the Soviet Bloc in Europe, in support of the CHINCOM program. This group makes recommendations with respect to commodity controls, types and levels of controls which should be maintained and other economic defense measures in the Far Eastern context.

A Far Eastern Defense Sub-group under the Intelligence Working Group has recently been established for the purpose of determining those specific commodities, or categories of commodities, now on various lists before CHINCOM, which should be accorded research priority according to strategic value to China.

Within CHINCOM the area of agreement on paragraph (1) above, is very limited. The Japanese and US delegates are to date, more closely in agreement on this question of a commodity embargo list against China than any other two countries. There is, however, pressure of trading groups in Japan for lessening controls on some items to China. For that reason, a concerted effort is being made to obtain bilateral agreement with the Japanese on the remaining un-agreed items on the UK embargo list before they are brought up for review in CHINCOM, probably within the month. These un-agreed items are included under such categories as:

- Heating units
- X ray apparatus
- Battery chargers
- Optical goods
- Laboratory equipment
- Insecticides
- Insulated Wire and cable

It would be to the advantage of the US delegate to have Japan on his side in the consideration of the items under question, to assure that the Japanese will maintain their controls at their present level and lend their support in the discussions on the subject. If agreement on these items cannot be bilaterally established before they come up for review, it is probable that Japanese controls will be lowered to coincide with those of less stringency of some European countries. Support for this program is considered Priority 1 by the IWG Sub-group.

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Items to be considered for review, following a decision on the UK list, will include a group of 116 categories of US List 1A (items embargoed by US but not by COCOM) and IIB items (quantitatively controlled by US but not by COCOM - embargoed by US in practice) which do not appear on any International List. These include some items in such categories as:

- Electrical and power and generating equipment
- Industrial equipment
- Transportation equipment
- Electronics and precision Instruments
- Metal working machinery
- Chemical and petroleum equipment
- Metals, minerals and their manufactures
- Rubber and rubber products

Support for this program is considered Priority II.

Items on the list of 400 commodities presented to the Japanese for bilateral agreement on control to China, which are being questioned by the Japanese as to their strategic value to the Chinese, are Priority III.

Short of a blockade of the China coast, the procedure adopted seems to be the only method by which China trade controls may be strengthened. This program will call for intelligence support on the items under consideration, in the above order or priority.